

Chairperson: Steve Cady, 278-4347

Clerk: Carol Mueller 278-4228

SELECT COMMITTEE ON DEFERRED COMPENSATION

Monday, November 14, 2011 – 9:00 a.m.

Milwaukee County Courthouse - Room 203-P

MINUTES

Present: Grady, Walker, Ceschin, Russell and Cady (Chair)

SCHEDULED ITEMS:

The Committee may adjourn into closed session under the provisions of Wisconsin Statutes, Section 19.85(1)(f), for the purpose of discussing the following matter(s). The Committee may reconvene into open session to take whatever action(s) it may deem necessary on the said matter(s).

1. 11DC21 Appeal(s) from deferred compensation participant(s) of decisions regarding request(s) for hardship withdrawal(s) of funds from Milwaukee County's Deferred Compensation Plan.

Appearance:

Steve Cady, Fiscal and Budget Analyst, County Board

There were 62 requests for hardship withdrawals that were reviewed by Great-West Retirement Services to determine if they met the applicable guidelines. Of the individuals that were denied, none decided to appeal the decision to the Select Committee.

The Committee took no action.

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2. 11DC42 Financial Update on Administration of Milwaukee County's Deferred Compensation Plan. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

Appearance:

Steve Cady, Fiscal and Budget Analyst, County Board

The forfeiture fund is within the budget for 2011. Anticipated expenditures and revenues (including the administrative fee holiday that was in effect all of 2011) resulted in a reduction in the forfeiture account holdings, as expected. The administrative fee holiday was previously approved through the fourth quarter of

SCHEDULED ITEMS (CONTINUED):

2012. The Select Committee will revisit the fee holiday again 2012.

The Committee took no action on this informational report.

3. 11DC43 From Great-West Retirement Services, Third Quarter Report. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

Appearance:

Sue Oelke, Great-West Retirement Services

Ms. Oelke informed the Committee that they have partnered with the Department of Human Resources to provided informational kits on Deferred Compensation.

Great-West is working with the State to hold seminars for the 350 employees that transfer to the State from October 2011 through January 2012 to inform them of their options related to their 457 Plan holdings.

Great-West is also partnering with the Employee Retirement System to communicate the ability to rollover all or part of any lump sum payout (excluding unused sick leave) upon retirement.

There have been 49 individual retirement meetings this quarter producing four new enrollments of retiring employees, eight increased their salary deferrals for their final paycheck with vacation / personal days / overtime payouts and 24 completed back drop rollover forms.

Appointments for meetings continue to be heavy with 183 scheduled and 137 walk-ins. New enrollments from 2010 have been maintained at 70%. Full distributions increased 12% over 2010. There are about 4,800 accounts in force. Requests for emergency withdrawals continue to be high due to the difficult economy.

Future focus will be for 457(b) Roth seminars. There has been a high volume of inquiries regarding the Roth option. The Roth option, which allows participants to defer after-tax monies, begins with the first payday in December 2011. Another initiative to start in November of 2011 is the DeMinimis distribution of accounts with a balance below \$1,000. The Select Committee authorized that any account that held less than \$1,000, and no deferrals have been made in the previous two years, would be paid out in a lump-sum. A communication from Great-West to these affected participants would let them know that they could restart contributions to allow them to retain their account. Individuals no longer employed by the County will have the option to rollover the monies to another qualified retirement account.

SCHEDULED ITEMS (CONTINUED):

The Committee took no action on this informational report.

4. 11DC44 From Reinhart Boerner Van Deuren, recommended amendments to the Milwaukee County Plan of Deferred Compensation.

Appearances:

Steve Cady, Fiscal and Budget Analyst, County Board

Darryl Collier, Assistance Vice President National Accounts Government Markets

- a. To outline the forms of distributions available to Plan Participants
- b. Required Minimum Distributions

Both amendments were discussed at one time. Itemized distributions will be added to the Plan Governance document along with language to show that some participants took advantage of temporary changes in the Required Minimum Distribution (RMD) rules in 2009. The RMD changes must be included in the Plan Governance document by the end of 2011 to meet Internal Revenue Code guidelines.

ACTION BY: (Grady) Approve both proposed amendments for incorporation into the Plan before the end of 2011. 5-0

AYES: Grady, Walker, Ceschin, Russell and Cady (Chair) – 5

NOES: 0

5. 11DC45 From Advised Assets Group, Third Quarter Stable Value Fund Report.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

The Stable Value Fund fourth quarter rate is 3.65%.

The Committee took no action on this informational item.

6. 11DC46 From Hewitt Ennis Knupp, Third Quarter Performance Report.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

Appearance:

Laurel Nicholson, Hewitt Ennis Knupp and Associates

Ms. Nicolson provided an overview of the Plan performance, stating that equity markets were disappointing. The DOW Index had four consecutive 400 point swings and were down 15.2% during the quarter due to fears of a weaker than expected economic environment. Government was the top performing sector in Fixed Income Markets with a 5.8% gain in the third quarter. There are three

SCHEDULED ITEMS (CONTINUED):

indicators of a recession which includes the willingness to lend money, inventory build-up and corporate profits. The signs are not showing an indication of a recession.

The Plan has \$255 million in assets, an increase of \$31 million from one year ago. Index funds make up 20% of the Plan with the Stable Value Fund holdings comprising 50% of the Plan. Many other plans have closed their stable value funds, while Milwaukee County has a strong performing Stable Value Fund in the Plan. PIMCO under performed significantly but over the long term remains one of the stronger funds. JP Morgan Mid Cap Growth Select is consistently underperforming. At this time it doesn't warrant a yellow status, but does require a more in-depth look at this fund. The Select Committee discussed the fund monitoring system to make sure that funds that need to be reviewed for potential replacement are appropriately flagged. The Select Committee is operating within its Investment Policy Statement (IPS) for monitoring its investment options.

The Committee took no action on this informational item.

7. 11DC47 From Hewitt Ennis Knupp, report on Active Manager Ratings.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

Appearance:

Laurel Nicholson, Hewitt Ennis Knupp and Associates

The managers and ratings have a buy or hold status. JP Morgan Mid Cap Growth Select fund is close to falling out of the hold status and has fewer positive marks. This fund has not triggered a yellow (watch) status yet. There may be something in the fund monitoring system that needs more quantitative factors. This will be looked at and discussed at the February 2012 meeting along with a full review of the JP Morgan Mid cap Growth Select fund.

The Committee took no action on this informational item.

8. 11DC48 From Hewitt Ennis Knupp, Annual Plan Review.

Appearance:

Laurel Nicholson, Hewitt Ennis Knupp and Associates

Darryl Collier, Assistance Vice President National Accounts Government Markets

The Plan is well constructed and has diversified options and competitive fees. The following items should be reviewed and considered by the Committee: merit of an automatic savings escalator option, developing and adopting a Committee Charter, self-assessment on a periodic basis, presenting Targeted Date Retirement

SCHEDULED ITEMS (CONTINUED):

funds as an alternative to managed accounts, education that explains the three tier structure of the plan, adding a global equity plan and working with Great-West on disclosing fees to participants.

Mr. Collier added that auto escalation plans would use a level approach. Additionally, the average deferral rate along with the contribution the participants make to their pensions may be available through Ceridian and these other deferrals could have an impact on the low participation.

A review of governance best practices should be considered. They include the creation of a governance document that defines roles and responsibilities; establish and periodically review a Statement of Investment Policy; follow a conflict of interest policy; conduct regular meetings to review all aspects of Plan; distribute meetings materials in advance of meetings; review and approve meeting minutes; establish a documented process for hiring , firing and monitoring investment managers; periodically compare Plan features with comparable plans for benchmarking; periodically review all fees; engage in periodic committee self-assessment and promote on-going education and training of members The Plan is conforming with almost all of the recommended practices and will examine the adoption of a Committee Charter, for example, to codify procedures related to the governance of the Plan.

The Committee took no action on this informational item.

9. 11DC01 Next regularly scheduled meeting of the Select Committee on Deferred Compensation: **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

- February 6, 2012
- May 7, 2012
- August 6, 2012

The Committee took no action on this informational item.

This meeting was recorded. Committee files contain copies of the subject reports, communications, resolutions, and ordinances, which may be reviewed upon request to the Committee Clerk. The official copy of these minutes, along with the audio recording of this meeting, is available in the County Board Committee Services Division.

Length of meeting: 9:10 a.m. to 10:45 a.m.

Adjourned,

SCHEDULED ITEMS (CONTINUED):

Carol Mueller

Chief Committee Clerk

Select Committee on Deferred Compensation

ADA accommodation requests should be filed with the Milwaukee County Executive Office for Persons with Disabilities, 278-3932 (voice) or 278-3937 (TTY), upon receipt of this notice.